

# Management of Intercolonial Railway

## AND

### ITS EXTENSION TO MONTREAL.

From 1892 to 1896, the I. C. R. consisted of 1,142 miles of railway. Three miles were added in 1896-97. In 1898 the Government leased from the Drummond County Railway Company its railway consisting of the main line from Chaudiere Junction to Ste. Rosalie and the branch to Nicolet, in all about 133 miles and also leased from the Grand Trunk Railway a common interest in their line from Ste. Rosalie to Montreal including terminal facilities at the latter city. These leased lines (170 miles) are known as the Montreal Extension, the first railway being commonly known as the Drummond Railway; and the portion of the Grand Trunk held in common being commonly known as the Joint Section.

For a few months of the year ending 30th June, 1898, and ever since the Government has operated the Montreal Extension. The Government now, however, owns the Drummond Railway, having purchased it for \$1,600,000.

Mr. Blair, the Minister of Railways and Canals, and the Government press throughout the country, the claim that the Montreal Extension and Mr. Blair's management have—

First—Greatly increased the traffic and revenues of the I. C. R.;

Second—Added to the I. C. R. a very profitable piece of railway;

Third—Enabled the I. C. R. to have surpluses instead of deficits;

Fourth—Greatly improved the I. C. R. both as to road bed and plant.

It is proposed to examine these claims in this pamphlet.

#### AS TO THE INCREASE OF REVENUE.

For the year 1898-99, the first full year of the operation of the Montreal Extension and the last year for which we have published reports, the earnings of the whole Intercolonial Railway show an increase of \$872,303 over the earnings of 1897, the last full year's operation before the extension was taken over. (See Report, Railways and Canals, 1899, Page 23.) And, according to the statement made by Mr. Blair in the House of Commons on the 25th June, 1900, the earnings during the year 1899-1900 were \$794,669 in excess of the earnings of 1898-99. To put the matter in tabular form:

|                      | Earnings.      |
|----------------------|----------------|
| 1897.....            | \$2,866,023 02 |
| 1898.....            | 3,738,331 44   |
| Excess for 1898..... | \$872,303 42   |

|           |                |
|-----------|----------------|
| 1897..... | \$2,866,023 02 |
| 1898..... | 3,660,627 02   |

Excess for 1899..... \$794,669 00

The addition of 170 miles to a railway system of 1,142 miles, or an increase of about one-seventh of its mileage, must necessarily increase its revenue considerably, and the acquisition of the Montreal Extension did, it is admitted, substantially increase the revenues of the I. C. R. This increase, presuming that the Montreal Extension was equal in earning power to the average of the I. C. R. should have been in 1899 one-eighth of the total revenue of 1898, or \$467,281. What have been the actual earnings of the Montreal Extension during that year?

#### THE AUDITOR-GENERAL'S REPORT.

The Government refused to give any information on this subject, claiming that it is impossible to do so. By referring to the Auditor-General's Report for 1899, R. pp. 308 and 309, the receipts at every station of the I. C. R., however, can be obtained. These receipts are a fair index of the earnings of the road, and from them the earnings of the Montreal Extension can be approximately placed at \$320,000, of which \$50,000, in round numbers, represent the earnings of the Drummond Railway, and \$270,000 the earnings of the "Joint Section" from St. Rosalie to Montreal. The balance (\$552,000) of the increase of revenue in 1899 is, on the basis of station receipts, made up as follows:

|                                                                            |           |
|----------------------------------------------------------------------------|-----------|
| From the I. C. R. in Quebec from Chaudiere Junction to the N. B. line..... | \$170,000 |
| From the I. C. R. in New Brunswick....                                     | 15,000    |
| From the I. C. R. in Nova Scotia....                                       | 367,000   |

The increased revenue for the year (1899) ending June 30th, 1900, Mr. Blair places at \$794,669. The Auditor-General's Report for that year has not yet been published, and the same opportunity is not afforded for making up the earnings of the Montreal Extension for that year. The earnings of that portion of the I. C. R. doubtless increased owing to the general increase of trade in the Dominion, but the large increase is almost entirely due to the increased earnings of the Nova Scotia portion of the railway, especially in the Island of Cape Breton, where the increase has been enormous. As an illustration of this increase the Sydney stations may be taken. The receipts at these stations, according to an answer given by the Minister of Railways to Mr. Gillies, M.P.,

on the 11th day of July, 1900 (See Hawsard of that date), for the eleven months ending May 31st, 1900 was \$269,369.21 at Sydney, and \$41,446.20 at North Sydney, or together \$340,000 for the year, an excess of \$20,000 over the receipts in the whole 170 miles of the Montreal Extension, the city of Montreal included. In the year 1897, the receipts at the two Sydney stations were only \$82,078.28.

#### CAUSES OF INCREASED TRAFFIC.

The causes of the enormous increase of traffic in Cape Breton and Nova Scotia generally are:

1st.—The erection of the steel works at Sydney upon which nearly eight millions of dollars are being expended.

2nd.—The establishment of Mr. Reid's line of steamships between North Sydney and Newfoundland.

3rd.—The expansion of the steel industry in Pictou county.

4th.—The large increase in the coal output.

5th.—The increase of the lumber traffic.

6th.—The increase of trade generally.

The receipts of the I. C. R. have also been increased by the transportation of the Canadian contingents, the Strathcona Horse, and the Militia garrison for Halifax with their equipments and supplies, and the transportation of supplies for the British army in South Africa, which have swelled the receipts of the I. C. R., according to the statements of the Minister of Railways and Canals and the Minister of Agriculture, over \$70,000. In addition, large increases of earnings have accrued in the Provinces of Quebec and New Brunswick from the increase of the lumber business and trade generally.

It is idle of Mr. Blair to claim credit for any of these increases. What the country will give him credit for is a large surplus of earnings over expenditure if he has any to show. He should have one with this immensely increased traffic. Has he?

#### THE MONTREAL EXTENSION. DOES IT PAY?

The revenue of the Montreal Extension can be approximately placed, as has been shown, at \$320,000. What are the expenses in connection with this portion of the system? The roadbed and the stations of the Joint Section are maintained at the joint expense of the I. C. R. and the Grand Trunk Railway—the roadbed and stations of the Drummond County Railway solely at the expense of the Intercolonial Railway. The I. C. R. pays of course for the maintenance of its rolling stock and the running of its trains over the whole extension of 170 miles. On track and

stations on the I. C. R., exclusive of the Joint Section, the expenditure in 1899 was \$1,303,222 (See Report of Railways and Canals, 1899, page 66.) The Drummond County proportion for its 133 miles would, on the basis of mileage, be more than one-tenth of this amount, or, in round numbers, \$130,000. In addition to this, the I. C. R. paid to the Grand Trunk Railway as its share of the maintenance of the stations and track on the Joint Section \$69,899. (See Auditor-General's Report, 1899, pages R. 170-171.) The total cost of maintenance of engines and cars and running trains on the whole I. C. R. (for 1,315 miles) for 1898-99 was \$1,841,456. (See Report Railways and Canals, 1899, page 66.) The Montreal Extension of 170 miles is slightly more than one-eighth of the mileage of the total system, and its share therefore should be, in round numbers, \$230,000. The rental paid by the I. C. R. to the G. T. R. and the Drummond County Railway for 1899 was \$210,000, while the increased cost of the management of the railway system for 1899 was \$48,492.

#### EARNINGS AND EXPENDITURES, MONTREAL EXTENSION.

The earnings and expenditure of the Montreal Extension for 1899 therefore stand as follows:

|                                                                             |           |
|-----------------------------------------------------------------------------|-----------|
| Expenditure on stations and roadbed of Drummond County Railway.....         | \$130,000 |
| Expenditure on stations and roadbed of Joint Section.....                   | 69,899    |
| Expenditure on cars, engines, maintenance and trainmen for whole extension. | 230,000   |
| Expenditure for rental .....                                                | 210,000   |
| Expenditure for cost of management....                                      | 48,492    |
|                                                                             | <hr/>     |
| Earnings for the year.....                                                  | \$320,000 |

Loss for year.....\$368,391

This should be increased by the amount of interest upon capital expenditure charged to the permanent debt of the Dominion which Mr. Blair has made as a result of the extension to Montreal.

So much for Mr. Blair's boasted gain!

#### SURPLUS CLAIMED FOR THE INTER-COLONIAL—A MYTH.

Mr. Blair made some comparisons between his own and Mr. Haggart's management of the I. C. R., with the view of showing how successful he had been. This comparison was arbitrary and partial. The proper method of comparison is to take the records in this matter and compare all the years of Mr. Haggart's management with all the years of Mr. Blair's. The following facts are taken from Mr. Blair's own report for 1899:

#### UNDER MR. HAGGART'S MANAGEMENT.

|               | Earnings.      | Working Expenses. | Surplus     | Deficit.    |
|---------------|----------------|-------------------|-------------|-------------|
| 1892-93 ..... | \$3,065,449 09 | \$3,045,317 50    | \$20,181 59 | .....       |
| 1893-94 ..... | 2,987,510 27   | 2,981,671 98      | 5,838 29    | .....       |
| 1894-95 ..... | 2,940,717 95   | 2,930,902 74      | 3,815 21    | .....       |
| 1895-96 ..... | 2,957,640 10   | 3,012,827 62      | .....       | \$55,187 52 |

|                                |             |
|--------------------------------|-------------|
| Mr. Haggart's net deficit..... | \$25,352 43 |
| Average yearly deficit.....    | \$ 6,338 10 |

# UNDER MR. BLAIR'S MANAGEMENT.

|               | Earnings.      | Working Expenses. | Surplus     | Deficit.    |
|---------------|----------------|-------------------|-------------|-------------|
| 1896-97 ..... | \$2,866,028 02 | \$2,925,968 67    | .....       | \$59,940 65 |
| 1897-98 ..... | 3,117,669 85   | 3,327,648 57      | .....       | 209,978 66  |
| 1898-99 ..... | 3,738,331 44   | 3,675,686 21      | \$62,645 23 | .....       |

|                              |              |
|------------------------------|--------------|
| Mr. Blair's net deficit..... | \$207,274 08 |
| Average yearly deficit.....  | \$69,091 36  |

That Mr. Blair's management shows such large deficits will be a revelation to those who have read his statements. Even his surplus of \$62,645.23 for 1899 is entirely the product of Mr. Blair's book-keeping. This surplus was brought about in two ways—First, by borrowing money on capital account to pay for services which the railway itself should, and always did as a general rule, pay for, out of the earnings; and, secondly, by doing what he wrongfully charged Mr. Haggart with doing, by reducing the necessary expenditures for the maintenance of the roadbed and plant. Here are some illustrations: Instead of renewing cars and paying for them, as his predecessor had done, out of earnings, Mr. Blair replaced 250 cars which had, under his management, become worn out, by purchasing that number with \$150,000, borrowed on capital account. A few years ago, a fire destroyed an elevator at Halifax and also a wharf belonging to the I. C. R. Mr. Haggart rebuilt the wharf at a cost of \$50,000 in 1896, and paid for it out of earnings. Mr. Blair re-built the elevator, but charged the cost, including \$40,000 in 1899, to capital account, and borrowed every cent of the money. Over \$60,000 of additional expenditure on renewals and improvements on the railway was added to the debt of the country instead of being charged to and paid for out of the earnings of the railway, although the expenditure was for services which Mr. Haggart had always paid for out of the earnings. Taking these things into account, it will be seen that in the operations of the year 1899 the railway went behind about \$200,000. His anticipated surplus for 1900 is also imaginary.

The reports for that year are not yet brought down; but the Minister secured from Parliament in the session of 1899 upwards of \$200,000 to provide betterments for the I. R. C. for 1900. This was all to be borrowed and charged to capital, while the betterments were such as had almost without exception under previous administrations been charged to revenue and paid for out of earnings. This expenditure has, it appears from Mr. Blair's statements in the House, been made and charged to capital in pursuance of the vote.

## MR. BLAIR'S DECEPTIVE METHODS.

To illustrate Mr. Blair's attempt to deceive the public, some further examples of his methods are given:

From 1878 to 1896 inclusive, the Government almost invariably charged to working expenses of the railway and paid out of its earnings all the cost of replacing wooden by iron, or steel bridges, of strengthening and improving bridges, of substituting heavy for light rails, of enlarging and extending platforms, of renewing and enlarging

buildings, of improving turn-tables, etc. From two returns brought down to the House, one in 1892 by the then Minister of Railways, and one in 1899 by Mr. Blair himself, it appears that during the fifteen years, from 1881 to 1896 inclusive, betterments to the railway to the amount of \$3,236,625, were paid for out of the earnings. Had these been charged to capital, as Mr. Blair is now doing, the Intercolonial would have made a magnificent showing on these fifteen years' operation as follows:

|                                        |                |
|----------------------------------------|----------------|
| Betterments, from 1881 to 1896.....    | \$3,236,625 00 |
| Total net deficit from 1881 to 1896... | 2,834,481 00   |

|                                |              |
|--------------------------------|--------------|
| Surplus from 1881 to 1896..... | \$402,145 00 |
|--------------------------------|--------------|

This period of fifteen years covers nearly the whole period of the management of the I. C. R. under Conservative administration. Mr. Blair saw, however, how easy it was to borrow money to pay for betterments and charge them to capital instead of paying for them out of the earnings of the railway.

In 1897, when he had a small deficit of \$59,940.65, he gave little cause for complaint. In 1899, when his deficit through four months' operation of the Montreal Extension had increased to \$209,978.66, his scheme was pushed further until now he is charging up to capital account almost the whole of these expenditures for improvements, which his predecessors charged to working expenses and paid for out of the earnings of the road.

Enormous results are brought about by this species of jugglery.

Take the item of bridges and rails. Mr. Blair is now charging all improvements and substitutions to capital account. The effect of this change can be judged of by considering some of the work of improving, strengthening or renewing bridges from 1878 to 1896, all of which were paid for out of the earnings of the railway:

|                           |          |
|---------------------------|----------|
| Miramichi bridges.....    | \$25,400 |
| Sackville bridge.....     | 15,769   |
| Restigouche bridge.....   | 10,775   |
| River du Loup bridge..... | 23,900   |
| Nine other bridges..      | 46,261   |

Besides these fifty small bridges, the expenditures upon which are not given in the railway reports, were built of steel and iron, to take the place of wooden bridges or to afford accommodation where no bridges existed before, and

Six thousand and seventy lineal feet of iron and steel girders and spans, to take the place of wooden bridges, besides lateral bracing and patent floors for several thousand lineal feet of bridges.



The same remark will apply to rails. During the same eighteen years Mr. Blair's predecessors substituted 680 miles of 67-pound rails for 56-pound rails, or an average of 38 miles per annum. The cost was all paid out of the earnings of the road. Mr. Blair has substituted out of earnings 67-pound rails for 56-pound as follows:

|            |             |
|------------|-------------|
| 1897 ..... | 131.2 miles |
| 1898 ..... | 191.2 miles |
| 1899 ..... | 1 mile.     |

But he is now about to bring his scheme to bear in respect to rails also. He purposes to replace the 56-pound rails in the 91 miles of the I. C. R. in Cape Breton with 80-pound rails. Had he kept up the average of his predecessors on the renewal of rails the Cape Breton section would have been done and paid for out of the earnings of the railway now. To bring about a surplus he is borrowing \$400,000 to make this substitution, charging the same to capital account and not paying for one dollar of the expenditure out of the earnings of the railway.

Almost equally flagrant deception is being practiced in respect to sidings, buildings and platforms to bring out a surplus. A striking instance of this jugglery came up in Parliament last session. One of Mr. Blair's predecessors had built the general offices at Moncton, at a cost of \$92,098.25 out of the earnings of the I. C. R. Mr. Blair is fitting up the third story at a cost of \$7,000, and he brought down to Parliament a proposition to borrow this amount, charge it to capital account, and relieve the railway from the payment of any portion of it out of earnings. This was exposed and dropped.

A bolder or more barefaced attempt to mislead the public has never been entered upon than Mr. Blair's scheme to work out a surplus. The Drummond Railway and Joint Section are elephants on his hands, and he is trying to conceal the fact by cooking the accounts and juggling figures.

#### IMPROVEMENTS OF I. C. R.

Mr. Blair claims that he has greatly improved the I. C. R., and charges Mr. Haggart with starving the road and suffering it to run down. He singles out the year 1892-93 for attack. His charge is not that Mr. Haggart wasted the money but that he did not make expenditures enough.

Compare Mr. Blair's management of the road in 1899 with the management in 1893 in this respect. Mr. Blair in 1899, with 170 miles of railway additional calling for expenditures spent \$189,906 on the maintenance of the road-bed and rolling stock more than his predecessor did in 1893. These facts sufficiently refute this charge. Mr. Blair knows the charge to be groundless, as he brought a return down to the House of Commons in May, 1899 showing that Mr. Haggart had from 1893 to 1896, both inclusive, not only taken all ordinary expenditures out of revenue, but had actually expended out of the earnings of the railway \$541,361.42 on capital expenditure for betterments.

Mr. Blair has, it must be admitted, improved the rolling stock of the I. C. R. very much? He

has increased the number of private cars, sleepers, dining cars and passenger cars, and given the railway a gorgeous equipment of rolling stock. Where did the money come from to do this? Out of the earnings of the railway? No; he borrowed every cent of the cost, and the bill was no small one. It is well that the country should know the amount that Mr. Blair has plunged, and proposes to plunge, it into debt in connection with the I. C. R. and the Montreal Extension.

#### EXPENDITURE ON CAPITAL ACCOUNT.

The following is a statement of the amount:

|                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------|
| 1897—\$ 149,112—In Railway and Canals report, 1897, p. 54.                                                                           |
| 1898— 252,756—In Railway and Canals report, 1898, p. 55.                                                                             |
| 1899—1,081,929—In Railway and Canals report, 1899, p. 60.                                                                            |
| 1900—1,600,000—In Drummond County purchase. 1,656,000—Capital expenditure in 1900. See Mr. Blair's speech, Hansard, 1900, page 8458. |
| 1901—3,601,018—See estimates and supplementary estimates for 1901.                                                                   |

\$8,340,815—Total.

Besides this debt charged to capital account, there is a net deficit of \$207,274 on revenue account for the years 1897, 1898 and 1899.

What is the result of the present Government's policy regarding the I. C. R.? That policy was adopted with a great flourish of trumpets for the avowed object of making the I. C. R. pay, to take the road out of politics and run it on broad lines of commercial policy. The extension to Montreal, it was proclaimed, would work a revelation in the railway's finances. What has been the result of two years' operations of this scheme of expansion? The Montreal Extension in 1899, instead of helping out the I. C. R., made a loss of \$368,000, and is a serious leach upon the older and the paying portion of the line. Up to June 30th, 1900, the Minister had, in pursuing his scheme, plunged the country into debt to the extent of \$4,936,712, which at the rate the Government last borrowed money will saddle the Dominion for all time to come with an annual interest charge of \$141,683.63, and the end is not yet. According to the Minister's statement in Parliament, the estimates he brought down and the money that was voted last session, the debt will be increased on the 30th June next by an additional sum of \$3,601,018, which will make a further interest charge of \$93,349.13. With all this increased debt and increased burden of interest the Minister has only to offer the taxpayers of the country a bogus surplus for the year ending June 30th, 1900, of \$120,000—a surplus \$20,000 less than the annual interest on the debt already piled up by him.

This is the outcome of the Liberal Imperial policy. It is for this that the country suffered the disgrace of the infamous Drummond Railway deal; it is for this that the people of Canada handed over the administration of their public affairs to a "business" Government.